

The Insolvency Act 1986

Notice of move from administration to creditors' voluntary liquidation **2.34B**

Name of Company

Aircom Distribution Limited

Company number

03386007

In the

High Court of Justice

[full name of court]

Court case number

3019 of 2005

(a) Insert name(s) and address(es) of administrator(s)

We (a) Malcolm Peter Fillmore and Ms Ranjit Bajjon, Atherton Bailey LLP, Arundel House, 1 Amberley Court, Whitworth Road, County Oak, Crawley RH11 7XL

(b) Insert name and address of the registered office of company

having been appointed administrator(s) of (b) Aircom Distribution Limited whose registered office is Arundel House, 1 Amberley Court, Whitworth Road, County Oak Crawley RH11 7XL

(c) Insert date of appointment
(d) Insert name of applicant / appointor

on (c) 17 May 2005 by (d) The Director, K Higson

hereby give notice that:

(e) Insert name(s) and address(es) of liquidator(s)

the provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply, and it is proposed that (e) Malcolm Peter Fillmore and Ms Ranjit Bajjon, Atherton Bailey LLP, Arundel House, 1 Amberley Court, Whitworth Road, County Oak, Crawley RH11 7XL

will be the liquidators of the company (IP Nos) 6525 and 8756

We attach a copy of the final progress report.

Signed

Joint Administrators -

M P Fillmore

Ms R Bajjon

Dated 26 April 2006

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searches of the public record

Atherton Bailey LLP

Arundel House
1 Amberley Court
County OakCrawley
West Sussex
RH11 7XL

Tel 01293 410333

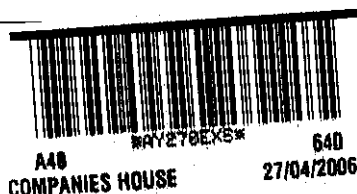
DX Number

DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ
Cardiff

DX 33050



AIRCOM DISTRIBUTION LIMITED ("THE COMPANY") (IN ADMINISTRATION)

**ADMINISTRATORS' PROGRESS REPORT PURSUANT TO RULE 2.110 OF THE INSOLVENCY RULES 1986
FOR THE PERIOD 17 NOVEMBER 2005 TO 26 APRIL 2006**

1. Introduction

- 1.1 Pursuant to Rule 2.111(2) of the Insolvency Rules 1986, I set out below our final report on the progress of this Administration since our report dated 15 December 2005.

2. Details of Relevant Court

- 2.1 These Administration proceedings fall under the jurisdiction of the High Court of Justice, the court reference is number 3019 of 2005.

3. Company details

- 3.1 The company's registered number is 3386007 and its registered office is now situated at Arundel House, 1 Amberley Court, Whitworth Road, County Oak, Crawley RH11 7XL.

4. Administrators' details

- 4.1 The Joint Administrators, Malcolm Peter Fillmore and Ms Ranjit Bajon of Atherton Bailey LLP, Arundel House, 1 Amberley Court, Whitworth Road, County Oak, Crawley RH11 7XL, were appointed on 17 May 2005 pursuant to an application made by the director on 9 May 2005. Since our appointment, there have been no changes in the office holders. For the purposes of paragraph 100(2) of schedule B1 to the Insolvency Act 1986, the Administrators have agreed to act jointly and severally in all matters relating to the administration. All functions relating to the administration may be exercised by either administrator.

5. Extension to the initial period of the appointment of the Administrators

- 5.1 No extension to the initial period of appointment has been made.

6. Administrators' Receipts and Payments Account

- 6.1 I attach a summary of the administrators' receipts and payments from 17 November 2005 to 26 April 2006, there have been no further transactions since then.

7. Administrators' Progress Report

- 7.1 The progress of this Administration was delayed in the early stages by a number of external issues. The Company imports foodstuffs and soft drinks from overseas for resale to discount stores in the UK. The necessary line of credit to enable business to recommence was delayed and certain buying opportunities were lost or restricted. These problems have continued and the wholly owned subsidiary, FMCG Trading Limited is currently believed to be trading at breaking-even levels.

- 7.2 Matters were exacerbated initially by the landlords of the Company's former warehouse denying access to the premises for some considerable time and when access was finally given, certain stocks were out of date as a consequence and had to be destroyed. In addition, certain items appeared to have been stolen; probably during the period when the landlord's agents were in possession and were showing prospective new tenants around. Lack of access caused major problems in the Company continuing in business because the Company was denied access to its trading records.

- 7.3 The business and remaining assets were transferred to a wholly-owned subsidiary, FMCG Trading Limited in order to facilitate trading without the problems incurred by a company in administration trading. The shares in FMCG remain under the control of the Administrators. The assets remain subject to a charge in favour of Allied Irish Bank.

- 7.4 FMCG is providing funding to the Administration from its revenues as available, and is separately funded from both bank and directors' resources.

- 7.5 The Company has a freehold shop in Portsmouth, which was closed prior to Administration. Whilst it had initially been hoped to re-open this to facilitate the disposal of residual stocks and other goods, this has not occurred and alternative opportunities are being explored. The shop is in a development zone and may be subject to a Compulsory Purchase Order; it is not known how this will affect its ultimate realisable value.

7.6 Prior to Administration, the Company had undertaken a legal action against a former trading partner alleging substantial over-invoicing and failure to provide appropriate importation documents, which resulted in substantial additional costs. The other party counter-claimed on the account and, because of the Company's financial difficulties, the litigation could not be pursued. This legal action is still being reviewed by the Administrators with a view to re-commencement.

7.7 The day to day conduct of the business of the Company, as conducted through its subsidiary, has been re-located to the North-West, closer to its major customers.

8. The Exit Route

8.1 In view the scale of the priority bank debt and the fact that substantial claims have been made against the Company that are disputed and of uncertain value, there is realistic likelihood of formulating a Company Voluntary Arrangement.

8.2 We now propose to convert the Administration into a Voluntary Liquidation and that the Joint Administrators be appointed as Joint Liquidators.

8.3 At this stage it is unclear what distribution, if any, will be available is presently unclear.

9. Assets remaining to be realised

9.1 The Portsmouth freehold shop, which is charged in favour of AIB has yet to be realised and at this stage no firm plans have been formulated for its future. It has been independently valued but for reasons of commercial confidentiality, the details are not being reported in case this affects sale negotiations, or subsequent CPO negotiations.

9.2 The business assets, including remaining stocks, were formally sold to FMCG Trading Limited at appraised value of c. £18,000 and part of the funding from that company is being applied to this sale.

9.3 As mentioned above, certain claims, which may or may not require litigation, have yet to be realised. A possible claim against the former landlord's agents in regard to their improper actions in denying the Company access to its premises and the consequences thereof, has been considered and is deemed not cost-effective to pursue.

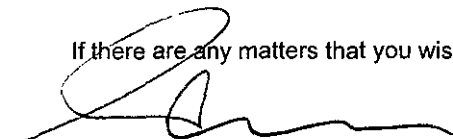
10. Administrators' Costs and Remuneration

10.1 The total time costs incurred to 22 April 2006, including pre appointment time, amount to £37,151.60 and are detailed in the attached summary in the format required by the Association of Business Recovery Professionals. Creditors have agreed that the Administrators' remuneration may be fixed by reference to the time spent in attending to matters arising in the Administration, including any costs incurred prior to administration. Creditors have also agreed that the Administrators be at liberty to draw fees up to actual time costs incurred from funds held. To date interim fees of £7,000 plus disbursements and VAT from available funds have been drawn.

11. Administrators' proposals

11.1 I attach a summary of the Administrators' proposals as agreed, with modifications by creditors.

If there are any matters that you wish to discuss with me, please do not hesitate to contact me.



Malcolm P Fillmore
Joint Administrator of Aircom Distribution Limited

Dated 26 April 2006

APPENDIX I

AIRCOM DISTRIBUTION LIMITED
[IN ADMINISTRATION]

ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT
FOR THE PERIOD 17 MAY 2005 TO 26 APRIL 2006

| RECEIPTS | £ |
|-------------------------|------------------|
| Contributions | 16,000.00 |
| Trade Sales | 5,640.69 |
| Trade Debtors | 3,045.60 |
| Insurance Refund | 2,390.09 |
| VAT Refund of Input Tax | 1,900.44 |
| Bank Interest | 101.52 |
| | <u>29,078.34</u> |

| PAYMENTS | £ |
|------------------------------|------------------|
| Administrators' Fees | 7,000.00 |
| Trading Purchases | 5,000.00 |
| Legal Costs | 2,849.00 |
| VAT Input Tax | 1,900.44 |
| Insurance | 1,434.89 |
| Payment re Bayside | 1,000.00 |
| Property Agents - Valuations | 500.00 |
| Motor Expenses | 334.95 |
| Statutory Advertising | 185.65 |
| Bonding | 184.00 |
| Mail Redirection | 111.25 |
| Chattel Assets - Valuations | 100.00 |
| Postage / Telephone | 71.65 |
| Room Hire | 68.09 |
| Company Search | 9.50 |
| | <u>20,749.42</u> |

BALANCE AT BANK £8,328.92

| Movements for the period 17 November 2005 to 26 April 2006 | £ |
|---|-----------------|
| Voluntary Contributions | 4,000.00 |
| VAT Refund | 1,256.70 |
| Bank Interest | 69.77 |
| | <u>5,326.47</u> |

Atherton Bailey**TIME & CHARGEOUT SUMMARIES**

AIRCOM DISTRIBUTION LTD

From 1 Jan 2005 to 22 Apr 2006

| HOURS | | | | | | | |
|---------------------------------|-----------|---------|---------------------------|----------------------------|-------------|-------------|-----------------------|
| Classification Of work Function | Partner | Manager | Other Senior Professional | Assistants & Support Staff | Total Hours | Time Cost £ | Average Hourly Rate £ |
| Administration & Planning | 71.42 | 0.65 | 73.12 | 5.93 | 151.12 | 25,666.60 | 169.85 |
| Investigations | 0.00 | 0.00 | 3.20 | 0.00 | 3.20 | 400.00 | 125.00 |
| Realisation of Assets | 14.08 | 0.00 | 11.80 | 0.00 | 25.88 | 4,643.77 | 179.41 |
| Trading | 1.75 | 0.00 | 0.00 | 0.00 | 1.75 | 393.72 | 225.00 |
| Creditors | 9.33 | 0.00 | 11.00 | 5.50 | 25.83 | 3,785.05 | 146.52 |
| Litigation | 2.17 | 0.00 | 5.75 | 0.00 | 7.92 | 1,104.98 | 139.58 |
| Rec & Pay | 0.23 | 0.00 | 1.20 | 9.55 | 10.98 | 1,157.48 | 105.39 |
| Total Fees Claimed £ | 22,261.27 | 87.75 | 13,124.59 | 1,677.99 | | 37,151.60 | |
| Total Hours | 98.98 | 0.65 | 106.07 | 20.98 | 226.68 | | |
| Average Rate | 224.90 | 135.00 | 123.74 | 79.97 | | | |

AIRCOM DISTRIBUTION LIMITED
(In Administration) ("The Company")

STATEMENT OF THE ADMINISTRATORS' PROPOSALS

Pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986; and
Rule 2.33 of The Insolvency Rules 1986

Please note that these Proposals are of a statutory nature and give enabling powers to the Administrators in order for them to continue to pursue the purposes of the Administration Order.

Creditors should also note, for the avoidance of doubt, that these are NOT Voluntary Arrangement proposals.

7. Administrators' Proposals

- 7.1 The following are our Statement of Proposals for achieving the purposes of the Administration Order made in respect of the Company and which we make to the creditors for their consideration and, if thought fit, approval at the Meeting of Creditors to be held on 22 July 2005.
- 7.2 That we be given authority to continue to manage the business and affairs of the Company under the day to day control of existing management and in accordance with our professional judgement, taking independent or informed advice where we consider that to be appropriate and that we take such decisions on the future management of the Company as we consider appropriate.
- 7.3 That, in conjunction with the Company's management, we formulate proposals for a Company Voluntary Arrangement with the Company's creditors and members.
- 7.4 That we be empowered to review all existing contractual commitments and obligations of the Company and, where necessary, cause the Company to determine (if not already terminated) any such contractual commitments which, in our view, are not beneficial to the future of the business.
- 7.5 That we be empowered to enter into and conclude negotiations with creditors and/or others as we consider may assist in the continuation of the Company's business, its financing or in promoting a CVA.
- 7.6 That should the creditors so wish, a Committee of Creditors be elected in order to exercise the functions conferred on it by the Insolvency Act 1986.
- 7.7 That our remuneration for acting as Administrators be fixed by reference to the time properly given by us and our staff in attending to matters arising in the Administration including any costs incurred prior to administration in connection with advice and assistance given in placing the company into administration. Further that the Administrators be at liberty to draw fees up to actual time costs incurred from time to time from funds held by us. The hourly charge out rates for principals and staff likely to be involved in this case are set out as follows together with details and charges for indirect disbursements:
- 7.7.1 Partners £225, Senior Professional Staff £100-£175 and administrative and support staff £50-£100.
- 7.7.2 Indirect disbursements to be charged at the rate of 20 pence per letter, 10 pence per photocopy and 40 pence per mile plus 5 pence for additional persons travelling in the same car.
- 7.8 That we convene further meetings of the creditors and members at such time as we may propose in order to put to them proposals for a CVA or to seek their approval to any other proposals.
- 7.9 That in the exercise of our powers and in doing anything where we believe it is appropriate or necessary to seek the consent or approval of creditors and, where the law so allows, any Committee of Creditors elected will have the authority to act on behalf of all creditors.
- 7.10 That we may do all such other things as we, in our discretion, consider will preserve protect or enhance the business and/or assets of the Company and/or are incidental to these proposals and their implementation.
- 7.11 That we take and implement such other consequential decisions as, in our judgement, will benefit the creditors of the Company.
- 7.12 That as soon as we deem it appropriate, we seek a discharge of the Administration Order and our release as Administrators. The Joint Administrators contract as agents of the company without personal liability.
- 7.13 That if we determine that a CVA is not beneficial to the creditors, we be authorised to realise the Company's assets on the best basis reasonably attainable and, if appropriate, take steps to place the Company into Creditors' Voluntary Liquidation. In this event it is proposed that the liquidators be the current Administrators. In accordance with Paragraph 83(7) and Rule 2.117(3), creditors may in this event nominate a different person as the proposed liquidator, provided that the nomination is made after receipt of the Administrators' Proposals and before those Proposals are approved.